

LOUISA REGIONAL SOLID WASTE AGENCY

**INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS**

JUNE 30, 2004

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LOUISA REGIONAL SOLID WASTE AGENCY

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Representing</u>
William Juhl	Chairperson	City of Columbus Junction
Kenneth E. Purdy	Vice-Chairperson	County of Louisa Supervisor's Office
Verlinda Prior	Member	City of Columbus City
Mark Jay	Member	City of Cotter
Ray Nyenhuis	Member	City of Fredonia
Charles Sorrowfree	Member	City of Grandview
Jerry Kirk	Member	City of Letts
Thomas Young	Member	City of Oakville
Roger Noble	Member	City of Wapello
Norman Stone	Member	Rural County of Louisa
Jack Reif	Member	Rural County of Louisa

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INDEPENDENT AUDITOR'S REPORT

To the Members of Louisa Regional Solid Waste Agency:

We have audited the accompanying financial statements of Louisa Regional Solid Waste Agency as of and for the year ended June 30, 2004. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

As described in Note 1, these financial statements are prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash basis financial position of Louisa Regional Solid Waste Agency as of June 30, 2004 and the changes in net assets - cash basis for the year then ended in conformity with the basis of accounting described in Note 1.

As discussed in Note 9, during the year ended June 30, 2004, Louisa Regional Solid Waste Agency adopted Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; Statement No. 37, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus; and Statement No. 38, Certain Financial Statement Note Disclosures.

In accordance with Government Auditing Standards, we have also issued our report dated December 7, 2004 on our consideration of Louisa Regional Solid Waste Agency's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis on pages 3 through 5 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion thereon.

December 7, 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS

Louisa Regional Solid Waste Agency provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities of the Louisa Regional Solid Waste Agency is for the fiscal year ended June 30, 2004. We encourage readers to consider this information in conjunction with the Agency's financial statements, which follow.

During the year ended June 30, 2004 the Agency implemented Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State or Local Governments (GASB No. 34). Under GASB No. 34, the Agency is required to provide additional information than was provided in prior years' financial statements and to present comparative financial information in the Management's Discussion and Analysis section. However, GASB No. 34 does not require restatement of prior years' financial information. Therefore the information presented below does not include the comparative financial information required by GASB No. 34. Instead this discussion includes only limited references to changes from prior year amounts as if those amounts were restated, which does not represent a restatement of the prior year financial statements. Information that presents a comparative analysis of the Agency's financial information will be provided in future years as such information becomes available.

2004 FINANCIAL HIGHLIGHTS

- ◆ The Agency's operating receipts decreased 7%, or approximately \$25,000, from fiscal 2003 to fiscal 2004.
- ◆ The Agency's operating disbursements increased 11%, or approximately \$29,000, from fiscal 2003 to fiscal 2004.
- ◆ The Agency's net assets decreased 9%, or approximately \$14,000, from June 30, 2003 to June 30, 2004.

USING THIS ANNUAL REPORT

The Agency has elected to present its financial statements on a cash basis of accounting. The cash basis of accounting is a basis of accounting other than U.S. generally accepted accounting principles. Basis of accounting refers to when financial events are recorded, such as the timing for recognizing revenues, expenses and the related assets and liabilities. Under the Agency's cash basis of accounting, revenues and expenses and the related assets and liabilities are recorded when they result from cash transactions.

As a result of the use of this cash basis of accounting, certain assets and their related revenues and liabilities and their related expenses are not recorded in these financial statements. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

The annual report is presented in a format consistent with the presentation of the Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the Agency's cash basis of accounting.

This discussion and analysis are intended to serve as an introduction to the Louisa Regional Solid Waste Agency's basic financial statements. The annual report consists of a series of financial statements and other information, as follows:

- ◆ Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the Agency's financial activities.
- ◆ The Statement of Net Assets – Cash Basis presents information on the Agency's net assets, including balances restricted for specific purposes and balances unrestricted and available for operating activities.
- ◆ The Statement of Cash Receipts, Disbursements and Changes in Net Assets - Cash Basis presents information on the Agency's operating receipts and disbursements, non-operating receipts and disbursements and whether the Agency's financial position has improved or deteriorated as a result of the year's activities.
- ◆ The Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

FINANCIAL ANALYSIS OF THE AGENCY

Statement of Net Assets – Cash Basis

The Statement of Net Assets – Cash Basis presents the assets and net assets of the Agency at the end of the fiscal year. The Statement of Net Assets – Cash Basis is a point-in-time financial statement. The purpose of this statement is to present a fiscal snapshot of the Agency to the readers of the financial statements.

Over time, readers of the financial statements are able to determine the Agency's financial position by analyzing the increases and decreases in net assets.

The largest portion of the Agency's net assets (93%) is the unrestricted net assets that can be used to meet the Agency's obligations as they come due. The remaining net assets (23%) are restricted for closure and postclosure care. State and federal laws and regulations require the Agency to perform certain maintenance and monitoring functions at the landfill site for a minimum of thirty years after closure. Restricted net assets increased \$10,000 during the year, as the related financial assurance fund was established during the year ended June 30, 2004. Unrestricted net assets decreased \$23,582, or 15%, during the year due to decreases in transfer fees receipts and an increase in fees paid to the operator of the transfer station.

Statement of Cash Receipts, Disbursements and Changes in Net Assets – Cash Basis

Changes in total net assets as presented on the Statement of Net Assets - Cash Basis are based on the activity presented in the Statement of Cash Receipts, Disbursements and Changes in Net Assets - Cash Basis. The purpose of the statement is to present the receipts received by the Agency and the disbursements paid by the Agency, both operating and non-operating.

Operating receipts are received for transfer fees from accepting solid waste and from assessments of the members of the Agency. Operating disbursements are disbursements paid to operate the transfer station and provide solid waste disposal at a landfill in Milan, Illinois. Non-operating receipts and disbursements are for interest on investments, bad debt recoveries, and principal and interest payments on long-term debt.

In fiscal 2004, operating receipts decreased by \$24,632, or 7%. The decrease was primarily a result of transfer fees decreasing by \$31,147 due to a decrease in waste received. In fiscal 2004, operating disbursements increased by \$29,171, or 11%, from fiscal 2003.

LONG-TERM DEBT

At June 30, 2004, the Agency had a note payable to Louisa County, Iowa totaling \$355,000. This note mirrors general obligation bonds issued by Louisa County related the Agency's withdraw from Great River Regional Waste Authority and establishment of separate solid waste disposal arrangements for Louisa County.

ECONOMIC FACTORS

Louisa Regional Solid Waste Agency's financial position declined during the current fiscal year. The current condition of the economy in the state continues to be a concern for Agency officials. Some of the realities that may potentially become challenges for the Agency to meet are:

- ◆ Facilities require constant maintenance and upkeep.
- ◆ Technology continues to expand and current technology becomes outdated presenting an ongoing challenge to maintain up to date technology at a reasonable cost.
- ◆ Annual deposits required to be made to closure and postclosure accounts are based on constantly changing cost estimates.

The Agency anticipates the current fiscal year will be much like the last and will maintain a close watch over resources to maintain the Agency's ability to react to unknown issues.

CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Agency's finances and to show the Agency's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Louisa Regional Solid Waste Agency, Louisa County Courthouse, Wapello, Iowa.

LOUISA REGIONAL SOLID WASTE AGENCY

STATEMENT OF NET ASSETS – CASH BASIS

June 30, 2004

Cash and cash equivalents:	
Restricted	\$ 10,000
Unrestricted	<u>133,842</u>
Total Assets	<u>\$ 143,842</u>
Net Assets:	
Restricted for closure and post-closure care	\$ 10,000
Unrestricted	<u>133,842</u>
Total Net Assets	<u>\$ 143,842</u>

See notes to financial statements.

LOUISA REGIONAL SOLID WASTE AGENCY

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN NET ASSETS – CASH BASIS

Year Ended June 30, 2004

OPERATING RECEIPTS:

Transfer fees	\$ 248,741
City and town assessments	38,907
County assessments	25,970
Hazardous disposal contributions	1,221
Scrap sales	1,164
Rent	7,800
Other	161
Total Operating Receipts	<u>323,964</u>

OPERATING DISBURSEMENTS:

Salaries	3,300
Payroll taxes and employee benefits	568
Landfill transfer fees	106,263
Operating contractor fees	118,777
Other disposal fees	17,170
Insurance	3,470
Taxes and licenses	4,807
Repairs and maintenance	7,228
Supplies	4,244
Utilities	2,431
Telephone	530
Office expense	1,702
Professional fees	16,312
Total Operating Disbursements	<u>286,802</u>

Excess of Operating Receipts Over Operating Disbursements	<u>37,162</u>
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NON-OPERATING RECEIPTS (DISBURSEMENTS):

Interest from cash and cash equivalents	1,596
Bad debt recoveries	5,300
Interest payments on long-term debt	(17,640)
Principal payments on long-term debt	<u>(40,000)</u>
Net Non-operating Disbursements	<u>(50,744)</u>

Change in Net Assets, Cash Basis	(13,582)
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Beginning Net Assets, Cash Basis	<u>157,424</u>
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Ending Net Assets, Cash Basis	<u>\$ 143,842</u>
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See notes to financial statements.

LOUISA REGIONAL SOLID WASTE AGENCY

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—

Louisa Regional Solid Waste Agency (Agency) was formed pursuant to the provisions of Chapter 28E of the Code of Iowa for the purpose of providing solid waste handling services for Louisa County, Iowa on behalf of the units of government which are members of the Agency.

The governing body of the Agency is composed of one representative from each of the eight member cities and three representatives from Louisa County. The member cities are: Columbus City, Columbus Junction, Cotter, Fredonia, Grandview, Letts, Oakville and Wapello. The members are appointed by the participating political subdivisions and each has one vote except for Louisa County, which has three votes. In addition to the current members, the Agency receives funds related to postclosure costs for the landfill from the former member cities of Winfield, Conesville and Morning Sun.

Reporting Entity - For financial reporting purposes, Louisa Regional Solid Waste Agency has included all funds, organizations, agencies, boards, commissions and authorities. The Agency has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the Agency are such that exclusion would cause the Agency's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (a) the ability of the Agency to impose its will on that organization or (b) the potential for the organization to provide specific benefits to or impose specific financial burdens on the Agency. The Agency has no component units which meet the Governmental Accounting Standards Board criteria.

Basis of Presentation - The accounts of the Agency are organized as an Enterprise Fund. Enterprise Funds are used to account for operations (a) financed and operated in a manner similar to private business enterprises, where the intent of the governing body is for the costs of providing goods or services to the general public on a continuing basis to be financed or recovered primarily through user charges or (b) where the governing body has decided periodic determination of receipts, disbursements, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Enterprise Funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with an Enterprise Fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

LOUISA REGIONAL SOLID WASTE AGENCY

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES— (Con't)

Basis of Accounting - Louisa Regional Solid Waste Agency maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the Agency are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items, including the estimated payables for closure and postclosure care costs. Accordingly, the financial statements do not present the financial position and results of operations of the Agency in accordance with U.S. generally accepted accounting principles.

The following accounting policies are followed in preparing the Statement of Net Assets – Cash Basis.

Cash Equivalents – The Agency considers all short-term investments that are highly liquid to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and have an original maturity date no greater than three months.

Restricted Assets and Net Assets – Funds set aside for payment of closure and postclosure care costs are classified as restricted.

NOTE 2: CASH AND INVESTMENTS—

The Agency's deposits in banks at June 30, 2004 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The Agency is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Agency; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The Agency had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3.

LOUISA REGIONAL SOLID WASTE AGENCY

NOTES TO FINANCIAL STATEMENTS

NOTE 3: PENSION AND RETIREMENT BENEFITS—

The Agency contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the Agency is required to contribute 5.75% of annual covered payroll. Contribution requirements are established by state statute. The Agency's contributions to IPERS for the years ended June 30, 2004, 2003 and 2002 were \$190, \$206 and \$207, respectively, equal to the required contributions for each year.

NOTE 4: CLOSURE AND POSTCLOSURE CARE COSTS—

To comply with federal and state regulations, the Agency is required to complete a monitoring system plan and a closure/postclosure plan to provide funding necessary to effect closure and postclosure, including the proper monitoring and care of the landfill and transfer station after closure. Environmental Protection Agency (EPA) requirements have established closure and thirty year care requirements for all municipal solid waste landfills that receive waste after October 9, 1993. State governments are primarily responsible for implementation and enforcement of those requirements and have been given flexibility to tailor requirements to accommodate local conditions that exist. The effect of the EPA requirement is to commit landfill owners to perform certain closing functions and postclosure monitoring functions as a condition for the right to operate the landfill in the current period. The EPA requirements provide that when a landfill stops accepting waste, it must be covered with a minimum of twenty-four inches of earth to keep liquid away from the buried waste. Once the landfill is closed, the owner is responsible for maintaining the final cover, monitoring ground water and methane gas, and collecting and treating leachate (the liquid that drains out of waste) for thirty years.

Governmental Accounting Standards Board Statement No. 18 requires landfill owners to estimate total landfill closure and postclosure care costs and recognize a portion of these costs each year based on the percentage of estimated total landfill capacity used that period. Estimated total cost consists of four components: (a) the cost of equipment and facilities used in postclosure monitoring care, (b) the cost of final cover (material and labor), (c) the cost of monitoring the landfill during the postclosure period and (d) the cost of any environmental cleanup required after closure. Estimated total cost is based on the cost to purchase those services and equipment currently and is required to be updated annually for changes due to inflation or deflation, technology, or applicable laws or regulations.

LOUISA REGIONAL SOLID WASTE AGENCY

NOTES TO FINANCIAL STATEMENTS

NOTE 4: CLOSURE AND POSTCLOSURE CARE COSTS— (Con't)

Chapter 455B.306(8)(b) of the Code of Iowa requires permit holders of municipal solid waste landfills and/or transfer stations to maintain separate closure and postclosure care accounts to accumulate resources for the payment of closure and postclosure care costs. Because the landfill stopped taking waste by August 24, 1994 it is exempt from the financial assurance requirements described above and is permitted to fund these costs from current operations. This funding is provided by all current members of the Agency and former member cities Winfield, Conesville, and Morning Sun. The total closure and postclosure costs related to the transfer station as of June 30, 2004 have been estimated at \$10,000. The Agency has deposited this amount in a separate bank account specifically to meet this funding requirement. These funds are reported as restricted assets and restricted net assets on the Statement of Net Assets – Cash Basis.

Chapter 567-111.8(7) of the IAC allows a government to choose the Dedicated Fund mechanism to demonstrate financial assurance and use the accounts established to satisfy the closure and postclosure care account requirements. Accordingly, the Agency is not required to establish closure and postclosure care accounts in addition to the accounts established to comply with the Dedicated Fund financial assurance mechanism.

NOTE 5: RISK MANAGEMENT—

The Agency is exposed to various risks of loss related to torts, theft, damage to and destruction of assets, errors and omissions, injuries to employees and natural disasters, and carries commercial insurance to mitigate these risks. The Agency assumes liability for any deductibles and claims in excess of coverage limitations. There have been no claims resulting from these risks that have exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 6: OPERATOR CONTRACT—

Louisa Regional Solid Waste Agency entered into an operator contract under which the contractor is to operate the landfill site in compliance with all applicable laws, rules and regulations. The contractor is to furnish all labor, tools, and equipment necessary for operation, except for recycling responsibilities. For these services, the contractor was paid \$20 per ton during the year ended June 30, 2004, which includes transportation of the waste to a landfill near Milan, Illinois. Operator contracting fees for the year ended June 30, 2004 totaled \$118,777. The contract will expire August 31, 2007.

LOUISA REGIONAL SOLID WASTE AGENCY

NOTES TO FINANCIAL STATEMENTS

NOTE 7: NOTES PAYABLE AND SETTLEMENT AGREEMENT—

The Agency was formerly a member of the Great River Regional Waste Authority. Prior to July 1, 2002, the Agency reached an agreement through binding arbitration with the Authority regarding its departure from the organization and the transfer of the Louisa County transfer station to the Agency. Under this agreement, the Agency, on behalf of Louisa County, paid \$568,975 to the Authority.

To provide funding for this payment, Louisa County issued general obligation bonds totaling \$450,000. The County considers this debt to be the primary responsibility of the Agency, with the County acting as guarantor. Therefore, the Agency signed a note payable to the County that mirrors the bonds' terms.

Annual debt service requirements to maturity for the note payable to Louisa County, Iowa are as follows:

Year Ending June 30,	Interest Rates- %	Principal	Interest	Total
2005	4.00	\$ 40,000	\$ 16,140	\$ 56,140
2006	4.15	40,000	14,540	54,540
2007	4.30	40,000	12,880	52,880
2008	4.45	45,000	11,160	54,540
2009	4.60	45,000	9,158	52,880
2010	4.75	45,000	7,088	54,540
2011	4.90	50,000	4,950	54,540
2012	5.00	50,000	2,500	52,880
TOTAL		<u>\$ 355,000</u>	<u>\$ 78,416</u>	<u>\$ 433,416</u>

The Agency has pledged all current and future receipts as security for this note payable until it is paid in full.

NOTE 8: LEASE AGREEMENT—

The Agency leases excess space at the transfer station to a third-party for \$650 per month under an agreement that will expire April 30, 2005. Rent income received during the year ended June 30, 2004 totaled \$7,800.

LOUISA REGIONAL SOLID WASTE AGENCY

NOTES TO FINANCIAL STATEMENTS

NOTE 9: ACCOUNTING CHANGE—

For the year ended June 30, 2004, the Agency implemented Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; Statement No. 37, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus; and Statement No. 38, Certain Financial Statement Note Disclosures.

Implementation of these standards had no effect on the beginning balances of the Agency.

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING

To the Members of Louisa Regional Solid Waste Agency:

We have audited the financial statements of Louisa Regional Solid Waste Agency as of and for the year ended June 30, 2004, and have issued our report thereon dated December 7, 2004. Our report expressed an unqualified opinion on the financial statements, which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Louisa Regional Solid Waste Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no material instances of non-compliance required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about the Agency's operations for the year ended June 30, 2004 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Agency. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Louisa Regional Solid Waste Agency's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition.

Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Louisa Regional Solid Waste Agency's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe item (A) is a material weakness. Prior year reportable conditions have been resolved except for item (A).

This report, a public record by law, is intended solely for the information and use of the members and customers of Louisa Regional Solid Waste Agency and other parties to whom the Agency may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Louisa Regional Solid Waste Agency during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

December 7, 2004

LOUISA REGIONAL SOLID WASTE AGENCY

SCHEDULE OF FINDINGS

Year Ended June 30, 2004

FINDINGS RELATED TO THE FINANCIAL STATEMENTS:

INSTANCES OF NON-COMPLIANCE:

No material matters of non-compliance with financial statement requirements were noted.

REPORTABLE CONDITIONS:

- (A) Segregation of Duties – During our review of internal controls, the existing control activities are evaluated in order to determine incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and, therefore, maximizes the accuracy of the Agency's financial statements. Generally, one individual has control over the account billings, collecting, depositing, posting and reconciling of receipts, for which no compensating controls exist.

Recommendation – We realize segregation of duties is difficult with a limited number of employees. However, the operating procedures should be reviewed to obtain the maximum internal control possible under the circumstances. Current personnel should be utilized to provide additional control through review of financial transactions and reconciliations. Such reviews should be performed by independent persons to the extent possible and should be evidenced by initials or signature of the reviewer and the date of the review.

Response – Current personnel will be utilized to maximize additional control.

Conclusion – Response accepted.

Other Findings Related to Required Statutory Reporting:

- (1) Questionable Disbursements – No disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- (2) Travel Expense – No disbursements of Agency money for travel expenses of spouses of Agency officials or employees were noted.
- (3) Agency Minutes – No transactions were found that we believe should have been approved in the Agency minutes but were not.
- (4) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the Agency's investment policy were noted.

LOUISA REGIONAL SOLID WASTE AGENCY

SCHEDULE OF FINDINGS

Year Ended June 30, 2004

Other Findings Related to Required Statutory Reporting: (Con't)

- (5) Financial Assurance – The Agency has demonstrated financial assurance for closure and postclosure care costs by establishing a dedicated fund as required by Chapter 111.6(9) of the Iowa Administrative Code. The calculation is made as follows:

Total estimated costs for closure and postclosure care	\$ 10,000
Less: Balance of funds held in the local dedicated fund at June 30, 2003	<u>-</u>
	10,000
Divided by the number of years remaining in the pay-in period	<u>÷ 5</u>
	2,000
Add: deficiency in local dedicated fund at June 30, 2003	<u>-</u>
Required payment into the local dedicated fund for the year ended June 30, 2004	2,000
Balance of funds held in the local dedicated fund at June 30, 2003	<u>-</u>
Required balance of funds to be held in the local dedicated fund at June 30, 2004	<u>\$ 2,000</u>
Amount Agency has restricted for closure and postclosure care at June 30, 2004	<u>\$ 10,000</u>

- (6) Official Depositories – A resolution naming official depositories has been approved by the Agency. However, this resolution did not specify the maximum amount that may be kept on deposit as required by Chapter 12C.2 of the Code of Iowa.

Recommendation – The Agency should immediately approve a new resolution naming its depository financial institution(s) and specifying the maximum amount that may be deposited with each depository.

Response – We will follow the recommendation.

Conclusion – Response accepted.

LOUISA REGIONAL SOLID WASTE AGENCY

SCHEDULE OF FINDINGS

Year Ended June 30, 2004

Other Findings Related to Required Statutory Reporting: (Con't)

- (7) Agency Minutes – Minutes of Agency meetings do not always include information sufficient to indicate the vote of each member present as required by Chapter 21.3 of the Code of Iowa.

Recommendation – Minutes of all Agency meetings should be written so that they clearly reflect how each member voted on all motions by listing each member's name and his/her vote or listing all affirmative voting members separately from all negative voting members. However, if a motion passes unanimously the minutes may simply state this.

Response – We will follow the recommendation.

Conclusion – Response accepted.

- (8) Public Notice of Meetings – We were unable to verify that proper public notice of Agency meetings was given as required by Chapter 21.4 of the Code of Iowa.

Recommendation – The Agency should ensure that proper public notice of all meetings is given. Such notice must be given at least twenty-four hours prior to commencement of any meeting and shall include the time, date and place of the meeting and its tentative agenda. Reasonable notice must include advising the news media who have file a request for notice and posting the notice in a prominent place easily accessible to the public. Documentation supporting this notice should be maintained by the Agency.

Response – We will follow the recommendation.

Conclusion – Response accepted.